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DOCKET FILE COPY ORIGINAL
 AT&T

Judy Arenstein
Director
Federal Government Affairs

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March 23, 1994

RECEIVED

MAR 23 1994

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M St., N. W., Room 222
Washington, DC 20554

Dear Mr. Caton:

Re: RM 8355

On Friday, February 18 1994, documentation in the above referenced proceeding concerning the difficulties AT&T experiences in entering the global telecommunications market was delivered to Chairman Hundt.

Two copies of this Notice were submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's Rules.

Sincerely,

Judy Arenstein

Atts.

cc: Chairman Reed E. Hundt

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0+2



295 North Maple Avenue
Basking Ridge, NJ 07920

February 18, 1994

RECEIVED

MAR 23 1994

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M St. NW
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Chairman Hundt:

Thanks for the opportunity to meet on Wednesday to discuss matters of great importance to AT&T and long distance customers. You asked for information on the challenges of getting established in foreign markets. We encounter serious obstacles in globalizing our business -- obstacles that can only be overcome by coordinated regulatory, political, and trade remedies on behalf of U.S. consumers and businesses.

The recent GATT agreement, concluded after seven years of negotiations, dealt with difficult trade issues -- but none more complex than opening telecommunications service markets to competition. Because basic telecommunications services are provided on a monopoly or virtual monopoly basis in most countries, the trade barriers encountered by AT&T and other U.S. telecommunications firms are far more daunting than traditional barriers like protectionist tariffs, quotas, and distribution systems.

Liberalization of telecommunications services markets is occurring at a very slow and uneven pace. The U.S. market, on the other hand, is both the most competitive and lucrative market. U.S. preeminence in telecommunications is a great national economic asset. Ironically, the disparate pace of market liberalization also makes the U.S. vulnerable to the dual problems of unilateral access to our market and leveraging of foreign monopoly power -- *if we let it happen*. But, it is happening, and a diligent, coordinated partnership of government and business is needed to protect U.S. consumers, telecommunications providers and equipment manufacturers from further damage and foreclosure from foreign markets.

Foreign-based telecommunications concerns have manifold opportunities to leverage their monopoly power to the detriment of the U.S. Much of this power stems from their ability to maintain excessively high carrier settlement rates with the U.S. The amount by which these settlement rates exceed the actual cost of terminating calls -- on average, 80% of the total charge -- is a pure subsidy that fills the coffers of foreign carriers at the expense of American

consumers. Foreign carriers are able to use these subsidies to gain advantages in the U.S. market that U.S. carriers could never duplicate in foreign carriers' protected home markets. These subsidies help finance entry into the U.S. telecommunications services market. Foreign telephone equipment manufacturers such as Siemens in Germany, Northern Telecom in Canada, and Alcatel in France are subsidized by their government-protected telecommunications operators, who pay the "national champion" above world market prices for the same equipment that they sell in the U.S. at startlingly lower prices. This practice is a double jeopardy for AT&T, which suffers anticompetitive abuses in both its services and equipment markets -- and in both the U.S. and foreign markets.

To counter these trade impediments and protect U.S. interests, government should adopt a deliberate strategy to achieve cost-based, non-discriminatory settlement rates and reciprocal access for U.S. companies in global telecommunications services and equipment markets. Discriminatory settlement rates are particularly ripe for action by the FCC. The U.S. government should outlaw the payment by U.S. carriers of settlement rates to terminate calls in a foreign country that are higher than those paid by other nations. At least forty-five foreign correspondents charge U.S. carriers more -- some as much as six times more -- than what they charge non-U.S. carriers to terminate calls. Stern action by the FCC to end this discrimination would be a significant step toward curbing the potential for monopoly abuse by foreign telecommunications operators.

The U.S. government must also reaffirm its commitment to market reciprocity in telecommunications services. Foreign carriers should be permitted access to the U.S. market only when the foreign markets are comparably open and settlement rates are cost-based. We urge you not to forget that U.S. companies are waiting for licenses to operate in the United Kingdom. Furthermore, the granting of a license is only the beginning of a lengthy and arduous process to obtain an access interconnection agreement before a carrier can actually operate. For example, after receiving a license in the U.K., it took ACC Global Corp. 18 months to negotiate an interconnection agreement with which they are still dissatisfied. This underscores the fact that the U.K., despite its being one of the more open markets in the world, has not implemented the kind of regulatory and competitive safeguards that have allowed competition to flourish in the United States.

Free and open competition is still the best way to ensure efficient allocation of economic resources and the best service and value to consumers. Thus, it is essential that the U.S. government continue its efforts to encourage liberalization of foreign monopoly markets. The recent completion of the Uruguay Round placed the services sector under GATT rules for the first time, thus creating a framework for the application of fair trade principles to services. The extended multilateral negotiations on basic telecommunications services, scheduled to begin in May, have the potential to lead to liberalization. However, we should not be naive about what can be accomplished. Services are not the same as steel, or textiles -- the issues associated with services trade are far more complex and less susceptible to easy resolution. The hallowed trade concepts of MFN and national treatment are not helpful to the U.S., which comes to the table with the most competitive market and the most advanced infrastructure in the world. In

telecommunications services, like financial services, little can realistically be gained through traditional multilateral trade negotiations. Instead, the U.S. must seek to craft a GATS agreement that rewards only those trading partners who both commit to *and* implement open and competitive markets. Moreover, even with trade negotiation success, until competitive global market forces take hold, the FCC must be particularly vigilant in international services as it regulates only one-half -- the U.S. end -- of end-to-end global services.

Therefore, the U.S. must pursue all avenues to promote fair trade in services, including preservation of U.S. negotiating leverage and the pursuit of bilateral arrangements. We look forward to working with you and your staff in addressing these issues that affect the public interest so profoundly. For your convenience, we have attached some additional items of relevant information.

Sincerely,

A handwritten signature in cursive script that reads "Alex Mandl /JA".

Alex J. Mandl
Executive Vice President &
CEO of Communications Services Group

Attachments

Impediments to Fair Telecommunications Trade Supplemental Material

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THOMAS J. MANTON
7th Street, New York

COMMITTEE ON ENERGY AND COMMERCE

SUBCOMMITTEE ON
ENERGY ISSUES AND FINANCE

CHAIRMAN
SUBCOMMITTEE ON FINANCE
MANAGEMENT

COMMITTEE ON HOUSE ADMINISTRATION

CHAIRMAN
SUBCOMMITTEE ON PERSONNEL AND
PLANS

LEGISLATIVE STRINGS AND POLICY

Congress of the United States
House of Representatives
Washington, DC 20515-1207

December 7, 1993

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203 Capitol Hill, 2nd Floor
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BOSTON, MA 02114
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The Honorable Larry Irving
Assistant Secretary For Communications
and Information
Department of Commerce
Fourteenth and Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Mr. Irving:

We have been informed that an interagency U.S. Government will conduct bilateral telecommunications discussions with the Government of the United Kingdom on December 9 and 10.

We believe it is imperative for our negotiators to gain agreement on U.K. telecoms market changes that will result in comparable access for U.S. carriers. The results of these negotiations with the U.K. government will establish the standards for judging comparable market access opportunities with other foreign governments. Consequently, we cannot afford to accept a competitively disadvantageous position in the global telecoms market. We urge you in these discussions to make clear the U.S. Government's resolve that the U.K. Government adopt policies and implement processes that enable U.S. carriers to gain reciprocal access to the U.K. market if British carriers such as British Telecom (BT) expect to gain access to the U.S. market.

The telecommunications sector is expected to supply an increasing proportion of the world's higher-paying jobs, technological innovations, and taxable revenues. Further, telecommunications provides one of the essential platforms for the growth, competitiveness, and globalization of most other key industries. Thus, it plays a critical role in the competitiveness of the U.S. economy by creating jobs and stimulating capital investment.

Equal access, strong nondiscrimination requirements, cost based access changes, divestiture, and other characteristics make the U.S. market the most open and fair in the world. U.S. regulators and government leaders have adopted and promoted the model of competition to accomplish significant consumer benefit. Foreign-based telecommunications carriers have taken advantage of that openness and made substantial entry into the U.S. market.

PLEASE RESPOND TO THE ADDRESS INDICATED ABOVE

The Honorable Larry Irving
Page 2
December 7, 1993

through the establishment of American affiliates, such as Cable and Wireless, creation of joint ventures or equity investments in American firms.

At the same time, however, foreign telecoms markets have remained essentially closed to competition by U.S. carriers, including the British market which BT argues is open. Such competition as exists in the UK has been confined to narrowly defined areas, for example, in enhanced services, or undeveloped cable markets. In the profitable established telecoms markets, while some operating licenses have been issued, no U.S. IXC has been able to negotiate interconnection agreements with BT nor are there published cost-based tariffs.

The U.K. Government has stated its desire to open its market to competition. It has taken some tentative but worthwhile steps in that direction. Unfortunately, it relies heavily on BT to put its good intentions into practice. BT, formerly owned by the U.K. Government, still maintains control over 90 percent of the U.K. telecoms market and shares a government mandate duopoly with Mercury over facilities-based international service. The U.K. cannot construct a "competitive system" by assuming that BT, with its monopolistic position and self interest in maintaining that monopoly, will voluntarily cooperate with its potential competitors.

BT's recent proposal to invest \$4.3 billion in a domestic U.S. carriers heightens our concerns over the monopoly control BT maintains over the U.K. markets through exclusion of the very U.S. carriers which could compete effectively. A situation in which a foreign monopoly is affiliated with a domestic and international facilities based U.S. carrier creates the potential for discriminatory dealing between the two parties and is likely to result in substantial competitive harm to other U.S. carriers and their customers. The danger is only increased when the U.K. Government refuses to license U.S. carriers to enter that market as facilities based international carriers. As a result of the closed British market combined with the open, competitive U.S. market, BT will enjoy an unearned advantage over American carriers in competing for business customers with stated requirement by being able to provide end-to-end service and serving arrangements.

In addition, BT sets the accounting rates (the rates it charges U.S. carriers to terminate service in the U.K.) far in excess of the true cost of completing the call, thus resulting in a subsidy for BT's monopoly operations. BT continues to charge U.S. carriers accounting rates at significantly higher levels than for EC carriers. This above-cost subsidy is in effect a tax

The Honorable Larry Irving

Page 3

December 7, 1993

on U.S. consumers paid to BT. This estimated tax -- at one-half the net outpayment -- amounts to over \$40 million a year.

We believe that the U.S. negotiators should seek a schedule which implements comparable market access in the U.K. Such a schedule should implement these seven processes:

- * the ability of U.S. carriers to enter the U.K. market under terms and conditions that are similar to those which would be engaged by BT in the U.S. market;
- * structural separation or non-structural safeguards of the monopoly and competitive services of BT;
- * the availability of equal access, both from customer and technical interconnection perspectives;
- * the availability of published, non-discriminatory interconnection tariffs;
- * telephone number portability;
- * non-discriminatory network disclosure by BT to competing carriers; and
- * protection of customer proprietary information.

Further, U.S. Government pursuit of bilaterals rather than reliance on GATS negotiations--which are unlikely to achieve near-term liberalization in telecoms services and could create a "free rider" problem if unconditional MFN is accepted--seems to be a useful strategy.

We hope you take our concerns into consideration as the FCC prepares for the bilateral. We look forward to further discussions with you and your staff after the bilateral and anticipate successful completion of the U.S.-U.K. talks in an expeditious manner.

With best wishes I am

Sincerely,



Thomas J. Maston
Member of Congress

TJM:ebo

HOUSE OF REPRESENTATIVES
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Gary L. Ackerman
Congress of the United States
5th District, New York

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CIVIL SERVICE

VICE CHAIRMAN, SUBCOMMITTEE ON
COMPENSATION AND EMPLOYEE BENEFITS

COMMITTEE ON MERCHANT MARINE
AND FISHERIES

SUBCOMMITTEE ON MERCHANT MARINE

December 7, 1993

The Honorable Joan Spero
Undersecretary of State for Economic and Agricultural Affairs
U.S. Department of State
Washington, DC 20520

Dear Madam Secretary:

It is my understanding that a U.S. Government interagency team consisting of the Departments of State and Commerce, the United States Trade Representative, and the Federal Communications Commission, is scheduled to initiate discussions on December 9 and 10 with the British Government on telecommunications market access.

The U.S. telecommunications market is the most open and competitive in the world. Foreign-based carriers, through American affiliates, are able to enter the U.S. telecommunications market with few restrictions. In contrast, foreign markets, including Great Britain's, are basically closed to U.S. carriers. Competition in Great Britain is limited to narrow areas, for example, in enhanced services or undeveloped cable markets. No U.S. long distance carrier has been able to negotiate interconnection agreements with British Telecommunications (BT) nor does BT publish cost-based tariffs.

The British Government has expressed its desire to open its market to competition and has taken some tentative steps in that direction. However, BT, formerly a monopoly owned by the British Government, controls 90 percent of the revenues generated by the telecommunications industry in Great Britain and shares, with Mercury, government-mandated control of facilities-based international service. It is highly unlikely that BT, with its monopolistic position and self-interest, would agree to an open, competitive system.

BT recently announced a \$4.3 billion investment in the U.S., thereby exacerbating the competitive asymmetry between the U.S. and the U.K. There now exists the possibility that BT will engage in self-dealing with its domestic U.S. partner, harming other U.S. carriers and their customers. Once the investment is completed, BT will enjoy a substantial advantage over American

Honorable Joan Spero
December 7, 1993
Page two

carriers by being able to provide end-to-end service. Among the U.S. carriers which seek to compete with BT on equitable terms are Sprint, headquartered in Kansas City, and AT&T, based in my home city of New York.

The U.S. negotiators should vigorously assert a position seeking, among other objectives: non-discrimination; structural and non-structural safeguards against BT's monopoly in the U.K.; comprehensive equal access; published, non-discriminatory interconnection tariffs; number portability; non-discriminatory network disclosure; and protection of customer proprietary information.

I trust that the members of the U.S. interagency team agree on the need to assert U.S. rights and to end the disadvantageous conditions faced by American competitors in the global telecommunications market. This position comports fully with U.S. trade law and the trade policies articulated by President Clinton. I look forward to hearing from you concerning the Department's views and its position at the bilateral discussions.

Sincerely,



Gary L. Ackerman
Member of Congress

BT

**THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20508**

JL / 5 1988

**The Honorable James A. Garcia
House of Representatives
Washington, D.C. 20515-2203**

Dear Congressman Garcia:

Thank you for your letter of May 10 drawing my attention to the applications by AT&T and British Telecom North America (BTNA) to provide service in the United Kingdom and the United States, respectively.

The issue that you raise regarding fair treatment for U.S. firms in the UK is one that my office has been closely examining in recent weeks. We are bringing our trade concerns on BTNA's application to the attention of the FCC, which possesses statutory authority for deciding on whether or not to grant the S.214 license requested by BTNA.

In addition, our services trade negotiators are currently preparing to negotiate market access for basic telecommunications services in the Uruguay Round. Success in these negotiations will depend on our telecommunications relationship with the EC, a relationship likely to be determined in part by the outcome of the current AT&T and BTNA applications to provide service in each other's markets.

Unless we ensure for U.S. firms meaningful access to the UK market, we will not only have lost a significant market opportunity for U.S. entities, but will have unilaterally given to a key EC Member access to the U.S. market at the very moment we are seeking concessions from the EC in the Uruguay Round. Moreover, decisions reached on these applications are likely to be interpreted by our other trading partners as an indication of our firmness of purpose in negotiating these issues.

I appreciate your taking the time to express your views on this issue to me. Please let me know if I can be of further assistance to you in this matter.

Sincerely,



Michael Kantor

MK:bst

COMMITTEE ON
APPROPRIATIONS
SUBCOMMITTEE
TRANSPORTATION—CHAIRMAN
COMMERCE, JUSTICE, STATE
AND THE JUDICIARY—VICE CHAIRMAN
LEGISLATIVE
WHIP-AT-LARGE

Congress of the United States

House of Representatives

Washington, DC 20515-2206

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East Lansing, MI 48827
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June 17, 1993

The Honorable James H. Quello
Acting Chairman
Federal Communications Commission
1919 N Street
Washington, D.C. 20534

Dear Chairman Quello:

I am writing to express my concern with the continuation of the expansion of foreign-based telecommunications carriers in the U. S. market in light of the generally closed condition of most foreign markets. My concern is heightened because in most instances, foreign carriers seeking access to the U. S. are foreign government owned and operate as the protected monopoly in their home market.

With respect to proceedings pending at the Commission involving C&W, BT and TLD/Teléfonos, I would urge the Commission to factor into their decision process the public interest implications of the harm which results to U. S. carriers and consumers when comparable access is denied U. S. carriers in foreign markets.

I am aware that the Commission has embraced the philosophy of telecommunications competition and I agree that U. S. consumers have benefited from domestic competition. However, in my view, the U. S. international services market is dramatically different and the successful U. S. domestic competitive model is inapplicable, since the Commission does not regulate the foreign end of the international service.

My understanding is that the Commission has expressed the desire that foreign governments will come to appreciate the benefits of competition if the U. S. leading by example. In theory, the U. S. leading by example sounds like a good idea, but, in practice, that lead is being followed only in a painstakingly slow manner. Indeed, in some cases that lead is being openly disregarded. Spain is a notable example.

After two decades of leading by example with U. S. domestic competition and eight years of leading by example by allowing U. S. international competition, Spain just last year enacted a law which grants its state-owned telephone company, Telefonica, a thirty year exclusive monopoly on domestic and international The

Honorable James Quella
June 17, 1993
Page 2

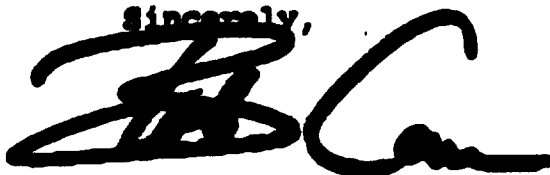
basic telecommunications services. It seems obvious that to achieve a more open Spanish telecommunications market, the U. S. has to do something much more than leading by example.

The Commission has the opportunity to do exactly that in the pending joint application for the Calumbar 2 and Americas I submarine cables. TLD, owned by Telefonica, is one of the parties. I believe the Commission should immediately separate TLD from this proceeding. The remaining application can be decided in a more expeditious manner while the Commission considers the policy issues associated with the lack of reciprocal treatment of U. S. carriers in Spain's closed market.

I believe that "enough is enough." The U. S. needs to send a clear, strong message to foreign governments regarding its displeasure over their refusal to allow U. S. carriers into their telecommunications markets while the FCC continues to allow foreign carriers into the U. S. market. If the U. S. unilaterally gives away access to its markets, it will have nothing to use as a lever to negotiate opening closed foreign markets. Any further access to the U. S. telecommunications market by foreign-owned carriers must be conditioned on comparable access opportunities being made available to U. S. carriers.

Thank you for your consideration. I look forward to your reply. Please share this letter with you fellow Commissioners and make it part of the record in relevant proceedings.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Bob Carr'.

BOB CARR
Member of Congress



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

May 12, 1993

RECEIVED
CHAIRMAN'S OFFICE

MAY 20 1993 -51

AT&T CO.

Mr. Robert E. Allen
Chairman of the Board
American Telephone and
Telegraph Company
32 Avenue of the Americas
New York, New York 10013-2142

Dear Bob:

I am writing with regard to your letter of April 14, 1993, alerting me to your concerns about an application filed by British Telecom with the Federal Communications Commission to offer international services in the United States. I appreciate your informing me of your views that the U.S. Government should not permit foreign firms to have access to the U.S. market without achieving reciprocal and equivalent access for U.S. firms to foreign telecommunications markets. Let me assure you that the competitiveness of the U.S. telecommunications industry is among the highest priorities of the Commerce Department. More broadly, achieving comparable access to foreign markets for U.S. firms is a central goal of the Clinton Administration's trade policy.

As you are aware, these issues are under critical examination by the National Telecommunications and Information Administration through their Notice of Inquiry on U.S. Regulation of International Telecommunications Services. The Department of Commerce will factor your views and practical experience in seeking to enter the UK market into this effort.

I hope you will continue to keep the Department apprised of AT&T's progress in entering the UK market, and look forward to a successful outcome in this regard. Thank you for sharing your views with me on such an important telecommunications policy and commercial issue.

Sincerely,

Ronald H. Brown

DANIEL PATRICK MOYNIHAN, NEW YORK, CHAIRMAN
MAX BAUCUS, MONTANA
DAVID L. BORER, OKLAHOMA
BILL BRADLEY, NEW JERSEY
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BOB GILL, KANSAS
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GERRI B. HATCH, UTAH
MALCOLM WALLOP, WYOMING

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200-CEIVED

May 19, 1993

SEN. MOYNIHAN'S OFFICE

MAY 25 1993-62

A.T. & T. CO.

Dear Bob:

I do thank you for your letter regarding British Telecom's application to the FCC to enter the U.S. international long-distance phone market.

You make an attractive argument for reciprocal treatment, as I have indicated in letters to U.S. Trade Representative Mickey Kantor and Acting FCC Commissioner James Quello. I have asked that they carefully consider your concerns as they assess the British Telecom application.

I wish to assure you that I will continue to monitor this issue as the Administration considers how to proceed.

Please keep me informed of your concerns in this and other areas.

Sincerely,


Daniel Patrick Moynihan

Robert E. Allen
AT&T
32 Avenue of the Americas
New York, NY 10013

THE WHITE HOUSE
WASHINGTON
May 17, 1993

RECEIVED
CHAIRMAN'S OFFICE
MAY 25 1993 -59
AT&T CO.

Dear Bob:


Thank you for your letter concerning British Telecom's application to the FCC.

As you suggest, the U.S. is highly competitive in telecommunications, and the Federal Government is engaged on a number of fronts to ensure that foreign markets are comparably open as ours.

As an independent agency, the FCC has full responsibility for the approval of licenses of the sort proposed by British Telecom. I understand that, in making its decisions, the FCC considers reciprocity as one of its criteria.

Thank you for bringing this issue to my attention.

Sincerely yours,


Robert E. Rubin
Assistant to the President
for Economic Policy

Mr. Robert E. Allen
Chairman of the Board
AT&T
32 Avenue of the Americas
New York, NY 10013-2142



THE SECRETARY OF THE TREASURY
WASHINGTON

RECEIVED
CHAIRMAN'S OFFICE

MAY 10 1993 -20

A.T.&T. CO.

May 3, 1993

Mr. Burnett
Mr. Louie

Mr. Robert E. Allen
Chairman of the Board
AT&T
32 Avenue of the Americas
New York, NY 10013-2142

Dear Mr. Allen: *cc'd*

Thank you for the letter expressing your concerns with respect to British Telecom's application to the FCC to enter the U.S. international long-distance market.

This Administration is seriously studying the issues that you have raised. We understand your concerns regarding the practical aspects of reciprocal access and want to assure you that they are being taken into consideration.

I appreciate your bringing this matter to our attention.

Sincerely,

Lloyd Bentsen
Lloyd Bentsen



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

May 12, 1993

RECEIVED
CHAIRMAN'S OFFICE

MAY 20 1993 - 51

A.T. & T. CO.

Mr. Robert E. Allen
Chairman of the Board
American Telephone and
Telegraph Company
32 Avenue of the Americas
New York, New York 10013-2142

Dear Bob:

I am writing with regard to your letter of April 14, 1993, alerting me to your concerns about an application filed by British Telecom with the Federal Communications Commission to offer international services in the United States. I appreciate your informing me of your views that the U.S. Government should not permit foreign firms to have access to the U.S. market without achieving reciprocal and equivalent access for U.S. firms to foreign telecommunications markets. Let me assure you that the competitiveness of the U.S. telecommunications industry is among the highest priorities of the Commerce Department. More broadly, achieving comparable access to foreign markets for U.S. firms is a central goal of the Clinton Administration's trade policy.

As you are aware, these issues are under critical examination by the National Telecommunications and Information Administration through their Notice of Inquiry on U.S. Regulation of International Telecommunications Services. The Department of Commerce will factor your views and practical experience in seeking to enter the UK market into this effort.

I hope you will continue to keep the Department apprised of AT&T's progress in entering the UK market, and look forward to a successful outcome in this regard. Thank you for sharing your views with me on such an important telecommunications policy and commercial issue.

Sincerely,

Ronald H. Brown

JACK WELSH, TEXAS
THOMAS J. BALEY, JR. VIRGINIA
NICHOLAS G. GILBY, MISS
SAM SCHWARTZ, COLORADO
JIM DARTON, TEXAS
ALAN KIMBALL, NEWYORK CAROLINA
J. DONALD HOFFERT, ILLINOIS
FRANK E. MILLER, MISS
CAROL J. KIMBLE, TEXAS
CAROLINA SIX STATES

U.S. House of Representatives
Committee on Energy and Commerce

SUBCOMMITTEE ON TELECOMMUNICATIONS AND FINANCE

Washington, DC 20515-6119

DAVID W. MOUTON
COURT HOUSE AND STAFF DIRECTOR

April 20, 1993

The Honorable James H. Quello
Acting Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Quello:

In recent months several foreign companies have filed Section 214 applications with the Commission seeking access to the U.S. telecommunications market. I am writing to urge you to carefully consider the market access questions raised by these applications. Given the uncertain state of international trade negotiations, I believe the Commission must take special responsibility to ensure that U.S. companies are granted equal access to foreign markets before our markets are opened to foreign competitors.

I am specifically concerned about the application filed by British Telecommunication (BT) to provide point-to-point services between U.S. and foreign locations for voice, video, facsimile and data transmissions. While I support increased competition in this market, I am troubled by the possibility of opening U.S. markets without any reciprocal agreement from host countries.

Under current FCC international resale policies, and in finding an application to be in the U.S. public interest, the Commission should assess whether the United Kingdom (U.K.) provides equivalent opportunities to U.S. companies before granting BT any authority to provide international services for the United States. I support that standard, and its underlying policy goals. For this reason, I would oppose grant of BT's application unless and until the Commission finds equivalent opportunities exist for U.S. companies seeking to provide telecommunications services in the United Kingdom.

Currently, legal, technical and economic barriers frustrate U.S. companies seeking to provide service offerings from the U.K. Given BT's status as the dominant provider of services in the U.K. market, the Commission must determine whether BT will provide access to U.S. affiliated carriers on a reasonable and nondiscriminatory basis. - BT currently is not required to publicly file its access rates in the U.K., and instead negotiates individual access arrangements on a case-by-case

The Honorable James H. Quello
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April 20, 1993

basis. Therefore, the Commission should seek further assurances that BT will provide public information about its rates, terms and conditions for access and specify the type and quality of interconnection it will make available on a cost-based and nondiscriminatory basis. However, it should be noted that offering access on a tariffed basis is a necessary step but insufficient alone to ensure U.S. based carriers have the ability to provide telecommunications services in the U.K. In addition, the Commission should focus on whether U.S. carriers are actually providing such services as a test of system openness.

I am concerned that granting BT and other foreign companies access to our markets will place U.S. companies at an even greater disadvantage. Allowing a foreign company access to our \$5 billion market in business telecommunications while U.S. companies are restricted from similar markets abroad would not be in the public interest of the United States. Equivalent market access remains a basic principle of fair trade. I urge you to carefully consider the "equivalency" issue and not grant BT's application until equal opportunities are available in the U.K.

Thank you for your consideration. I look forward to your reply. Please share this letter with your fellow commissioners and make part of the record in relevant proceedings.

Sincerely,



Edward J. Markey
Chairman

cc: Ambassador Mickey Kantor
United States Trade Representative



Robert E. Allen
Chairman of the Board

32 Avenue of the Americas
New York, NY 10013-2142
212 644-1000

April 14, 1993

Dear Secretary Bentsen:

The purpose of this letter is to direct your attention to an issue that is vital to the future competitiveness of the American telecommunications industry and its ability to expand into international markets.

On March 8, 1993, British Telecom (BT) applied to the FCC to enter the U.S. international long-distance market. The significance of this application cannot be overstated. If approved, it represents the first time a major industrialized country's national telecommunications provider will be able to operate in an unrestricted fashion in this country, while U.S. companies are consistently denied similar access to that provider's home market. To our knowledge, no American company has yet obtained the legal rights from the Government of the United Kingdom and the interconnection arrangements from BT to enable fair competition.

The United States can be proud of its leadership in telecommunications. AT&T is excited by the opportunities that lie ahead. However, AT&T's vision for continued success is predicated upon achieving fair and reciprocal treatment of U.S. carriers, ensuring that U.S. carriers have comparable access and are permitted to do the same things in a foreign country as that country's carriers are permitted to do in the United States. Affording unilateral access to the U.S. market without reciprocal and equivalent access abroad will guarantee that this vision is never realized.

It is therefore crucial that approval of BT's application is tied to U.S. companies' concurrently obtaining substantially equivalent competitive opportunities in the U.K. market - the goal of U.S. trade legislation set out in the 1988 Omnibus Trade and Competitiveness Act - not only as a matter of law, but also in fact.

On April 15, 1993, AT&T will file its objections to the BT application with the FCC. Simultaneously in London, AT&T will file with the Department of Trade and Industry an application seeking the same level of access to the U.K. market that BT seeks in the U.S. market. We believe that the BT application should not be approved until AT&T has been granted such comparable access in the U.K. market. We will appreciate your interest in this critical matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bob Allen", with a long horizontal stroke extending to the left.

Secretary Lloyd M. Bentsen
Secretary of Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

LLOYD RENTSEN
TEXAS

File

COMMERCE, SCIENCE AND TRANSPORTATION
JOINT ECONOMIC
COMMITTEE ON TAXATION

United States Senate

WASHINGTON, DC 20510-4301

October 13, 1992

The Honorable Alfred C. Sikes
Chairman
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, D.C. 20554

Dear Mr. Chairman:

As you know, I have consistently supported the development of an international economic policy that would prioritize the global competitiveness of American business. When Congress enacted the Omnibus Trade and Competitiveness Act of 1988, it cited the U.S. telecommunications industry as a world leader and emphasized the need to encourage its ability to compete in foreign markets in order to preserve this status.

Although we have supported a policy of competition in the provision of long distance communications services and equipment over the last twenty years, an unfortunate imbalance has developed in which we have seen foreign telecommunications companies gain virtually complete access to our markets while U.S. companies have faced closed markets abroad. Such an imbalance is unacceptable. In fact, I know that there are several matters now pending before the Commission that would have this effect.

Many believe that allowing foreign carriers open access to the U.S. telecommunications marketplace will encourage the liberalization of foreign markets. Although there may be some merit to this theory, it is clear that we must also give our strong support to the efforts of the U.S. Trade Representative to negotiate the liberalization of foreign telecommunications markets. Given the strong ability of many foreign carriers seeking to do business in the U.S. to influence the telecommunications markets in their own countries, we must do all that we can to encourage such carriers to promote openness in their home markets so as to allow U.S. companies to receive the same treatment abroad that foreign carriers enjoy in the U.S.

In this vein, I respectfully request that as you consider matters coming before the Commission that would further open our telecommunications market to foreign carriers, you consider ways to ensure that U.S. carriers are extended comparable treatment abroad. I believe that we should give every consideration to

The Honorable Alfred C. Sikes
October 13, 1992
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compelling foreign carriers to assist in the liberalization of foreign markets as we provide them with increased access to our domestic markets. Furthermore, we must preserve the ability of the U.S. Trade Representative to negotiate a level playing field in the global marketplace for our Nation's dynamic telecommunications companies.

Your careful consideration of this matter will be greatly appreciated.

Sincerely,


Lloyd Bentsen



Elaine R. McHale
Senior Attorney

Room 3838B2
295 North Maple Avenue
Basking Ridge, NJ 07820
908 221-2831
FAX 908 853-8380

January 3, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Mail Stop 1170/Room 222
Washington D.C. 20554

RE: CC Docket No. 90-337 (Phase II)
AT&T Accounting Rate Progress Report

Dear Mr. Caton:

In accordance with the Second Report and Order and Second Further Notice of Proposed Rulemaking in CC Docket No. 90-337 (Phase II), Regulation of International Accounting Rates, American Telephone and Telegraph Company ("AT&T") submits its progress report on accounting rates as of January 1, 1994 (hereinafter "1994 Progress Report"). The 1994 Progress Report contains the accounting rates, as of January 1, 1994, for IMTS with correspondents in each country in Europe, Asia, Americas and Africa with whom AT&T has direct service arrangements. The 1994 Progress Report also updates the problematic and egregious list contained in AT&T's Progress Report filed on January 4, 1993.

In its Second Report and Order, the Commission directed U.S. carriers to provide a list of "problematic" correspondents, with whom the U.S. carrier has had limited success in achieving accounting rate reform.¹ The

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AT&T's 1994 problematic list is based on the same criteria as that used in its 1993 list. Specifically, all of the countries meet three of the following five objective criteria: (1) the current accounting rate level is more than 100% above the midpoint of the FCC benchmark range; (2) the correspondent has not agreed to a change in the level of the accounting rate established by the

FIRST & MIDDLE INITIALS
 CAROL E. WHITE KANSAS
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ROYAL E. CURTIS CHIEF COUNSEL AND STAFF DIRECTOR
 WALTER J. MCDONALD, JR. DEPUTY CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
 AND TRANSPORTATION

WASHINGTON, DC 20510-0125

October 6, 1992

The Honorable Alfred C. Sikes
 Chairman
 Federal Communications Commission
 1919 M Street, N.W.
 Washington, D.C. 20534

Dear Al:

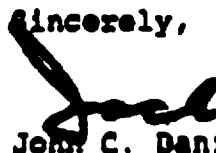
On July 28 Senator Packwood and I wrote to you concerning FCC Docket #91-360. I understand that the Commission may decide this matter in the next few days.

I write to re-emphasize my concern that we not unilaterally liberalize our telecommunications markets without encouraging our foreign trade partners to provide U.S. carriers with reciprocal market access for basic long distance services.

As you know, I have been active in telecommunications trade issues for many years. I believe it is critical that we provide opportunities for U.S. firms by giving our trade partners every possible incentive to open their markets.

Thank you for your consideration of my views.

Sincerely,



John C. Danforth